

**EIGHTY-EIGHTH GENERAL ASSEMBLY
2020 REGULAR SESSION
DAILY
HOUSE CLIP SHEET**

February 11, 2020

Clip Sheet Summary

Displays all amendments, fiscal notes, and conference committee reports for previous day.

Bill	Amendment	Action	Sponsor
<u>HF 2313</u>	<u>H-8015</u>		HAGENOW of Dallas

Fiscal Notes

[SF 2180](#) — [Rumble Strips, Highway Intersections](#) (LSB5577SV)

[HF 2175](#) — [Workforce Child Care Facility Credit](#) (LSB5591YH)

[HF 2279](#) — [Biofuels Excise Tax](#) (LSB5098HV)

[HF 2280](#) — [Fire Emergency Medical Services Volunteer Tax Credit](#)
(LSB5050HV)

HOUSE FILE 2313

H-8015

- 1 Amend House File 2313 as follows:
- 2 1. Page 1, line 14, by striking <or air forces> and
- 3 inserting <~~or~~ air, or space forces,>

By HAGENOW of Dallas

H-8015 FILED FEBRUARY 11, 2020

Fiscal Note

Fiscal Services Division



SF 2180 – Rumble Strips, Highway Intersections (LSB5577SV)
Staff Contact: Adam Broich (515.281.8223) adam.broich@legis.iowa.gov
Fiscal Note Version – New

Description

Senate File 2180 requires any governmental entity which exercises jurisdiction over a highway to construct and maintain rumble strips on certain highways. Under the Bill, rumble strips are required in advance of all stop signs and traffic-control signals located on a highway where the highway enters or crosses a primary highway. However, rumble strips are not required on unpaved highways, on highways inside the limits of any incorporated city, or on highways with a speed limit of less than 55 miles per hour.

The Bill may include a State mandate as defined in Iowa Code section [25B.3](#). Provisions that relieve political subdivisions from complying with an unfunded State mandate (Iowa Code section [25B.2](#)) do not apply to the requirements in **SF 2180**. Therefore, political subdivisions are required to comply with any State mandate included in the Bill.

Background

The Road Use Tax Fund (RUTF) allocates funding for road construction to the Primary Road Fund, secondary and farm-to-market roads (counties), and city streets. Current law allocates 47.5% of the RUTF to the Iowa Department of Transportation (DOT), 32.5% to counties, and 20.0% to cities. The DOT administers projects funded through the Primary Road Fund. In FY 2019, the RUTF collected and distributed revenues of \$1.760 billion. Of the total, \$847.4 million went to the Primary Road Fund; \$490.1 million went to counties. Additional details regarding the distribution of RUTF revenues are available in the LSA's [Factbook](#) document. Political subdivisions also provide funding for road construction from local sources such as property taxes, local option sales taxes, and other funding sources.

Assumptions

- The DOT estimates that 90 intersections under the control of the DOT that do not have rumble strips currently will require rumble strips.
- The DOT estimates that each intersection will require two rumble strips at a cost of \$5,000 per intersection.
- It is assumed that Iowa counties will be required to install 693 rumble strips. The Iowa County Engineers Association (ICEA) has collected information from 73 counties. On average, each of the counties that has responded identified seven legs that will require the installation of rumble strips. It is assumed that the 26 counties that have not responded will also average seven new rumble strips.
- The ICEA estimates that a rumble strip will cost roughly \$1,500 per roadway leg. The ICEA states that costs will fluctuate based on the type of pavement and panels being installed and with the mobilization required for disparate locations.

Fiscal Impact

Senate File 2180 is estimated to cost the Primary Road Fund an additional \$450,000 for the installation of rumble strips on primary highways. In addition, the Bill is estimated to cost Iowa counties \$1,039,500 for rumble strip installation of county roads throughout the State.

Sources

Legislative Services Agency
Iowa Department of Transportation
Iowa County Engineers Association

/s/ Holly M. Lyons

February 11, 2020

Doc ID 1129336

The fiscal note for this Bill was prepared pursuant to [Joint Rule 17](#) and the Iowa Code. Data used in developing this fiscal note is available from the Fiscal Services Division of the Legislative Services Agency upon request.

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Fiscal Note

Fiscal Services Division



HF 2175 – Workforce Child Care Facility Tax Credit (LSB5591YH)
Staff Contact: Jeff Robinson (515.281.4614) jeff.robinson@legis.iowa.gov
Fiscal Note Version – New

Description

[House File 2175](#) creates a Workforce Child Care Facility Incentive Program to be administered by the Economic Development Authority (EDA). Beginning with FY 2021, the EDA is allowed to award up to \$3.0 million each fiscal year in tax incentives under the Program. Incentives include a new Workforce Child Care Facility Tax Credit and refunds of sales/use tax paid to construct or rehabilitate a qualified child care facility. The Workforce Child Care Facility Tax Credit is not refundable but is transferable, and any unused amount may be carried forward to the next tax year.

A single project is allowed a maximum tax incentive of \$200,000. The tax credit amount may be no more than 10.0% of the project cost if the project is located within a city or township located wholly within one of the 11 most populous counties in Iowa, and no more than 20.0% of the project cost if located in the other 88 counties. The actual tax credit percentage each successful project receives will depend on a project application, review, and award system established by the EDA. A local financial contribution requirement in the form of cash, cash equivalent, and/or property tax incentives for the developer is required under the Program.

Background

According to 2019 population estimates, the 11 most populous counties in Iowa are:

- Black Hawk
- Dallas
- Dubuque
- Johnson
- Linn
- Polk
- Pottawattamie
- Scott
- Story
- Warren
- Woodbury

Assumptions

- Sufficient demand for child care facility development exists to fully utilize the annual \$3.0 million maximum award amount available.
- Seventy-five percent of tax incentives awarded under the Program each year will be income tax credits, and 25.0% will be sales/use tax refunds.
- One year's worth of awards will be completed 25.0% in the fiscal year of award, 65.0% in the second fiscal year, and 10.0% in the third fiscal year.
- Awarded income tax credits must first be earned through completion of the approved project. The income tax credits are not refundable but are transferable, and unused credits may be carried forward to the next tax year. Once earned, income tax credits are assumed to be redeemed according to the following schedule:

- Fiscal year earned = 15.0%
- Second and third fiscal year = 35.0% each year
- Fourth fiscal year = 10.0%
- Fifth fiscal year = 2.0%
- Never earned or never redeemed = 3.0%
- Awarded sales/use tax refunds must first be earned through completion of the approved project. Once earned, sales/use tax refunds are assumed to be paid by the State according to the following schedule:
 - Fiscal year earned = 15.0%
 - Second and third fiscal year = 35.0% each year
 - Never earned or never redeemed = 15.0%

Fiscal Impact

The new tax incentive program for child care facility development is projected to reduce net General Fund revenue by the amounts in the following table.

Projected Net General Fund Revenue Change In Millions	
	<u>Amount</u>
FY 2021	\$ -0.1
FY 2022	-0.7
FY 2023	-1.7
FY 2024	-2.5
FY 2025	-2.8
FY 2026 and after	-2.8

The Department of Revenue estimates that the new tax credit will result in approximately \$90,000 in additional expenditures for administrative rulemaking, computer programming, and tax form updates.

Sources

Department of Revenue
Legislative Services Agency analysis
U.S. Census Bureau

/s/ Holly M. Lyons

February 11, 2020

Doc ID 1129640

The fiscal note for this Bill was prepared pursuant to [Joint Rule 17](#) and the Iowa Code. Data used in developing this fiscal note is available from the Fiscal Services Division of the Legislative Services Agency upon request.



[HF 2279](#) – Biofuels Excise Tax (LSB5098HV)

Staff Contact: Adam Broich (515.281.8223) adam.broich@legis.iowa.gov

Fiscal Note Version – Revised (Table 4)

Description

[House File 2279](#) replaces the existing motor fuel excise tax schedule with a new schedule to determine the tax rate of motor fuel. The Bill adopts the new schedule through July 1, 2026 (Table 1). Tax rates will be determined by the market share of ethanol-blended gasoline that is 15.0% (E-15) or higher.

Table 1 — Proposed Motor Fuel Excise Tax Schedule

Ethanol (E-15) Market Share	E-15 (or higher) per gallon	Gasoline per gallon
0.0% – 10%	24.0¢	30.0¢
10.1% – 12%	24.5	30.0
12.1% – 14%	25.0	30.0
14.1% – 16%	25.5	30.0
16.1% – 18%	26.0	30.0
18.1% – 20%	26.5	30.0
20.1% – 22%	27.0	30.0
22.1% – 26%	27.5	30.0
26.1% – 35%	28.0	30.0
35.1% – 45%	28.5	30.0
45.1% – 65%	29.0	30.0
65.1% – 85%	29.2	30.0
85.1% – 95%	29.5	30.0
95.1% – 100%	30.0	30.0

The Bill also makes the following changes:

- Extends the applicability of the tax schedule that determines the special fuel excise tax (biodiesel and diesel fuel) through July 1, 2026. Under current law, the biodiesel tax schedule will expire on June 30, 2020.
- Requires the Iowa Department of Revenue (IDR) to use the [Retailers Motor Fuel Gallons Annual Report](#) to determine the market share of ethanol-blended gasoline and biodiesel.
- Makes nonsubstantive changes to language related to the special tax schedule.
- Strikes an obsolete provision that sets the motor fuel excise tax rate for E-85 at 17.0 cents per gallon.
- Requires the method for determining tax rates on motor fuel and special fuel to be reviewed by the General Assembly every five years. Current law requires legislative review every six years.
- Creates new reporting classifications for gasoline that is E-15 or higher and biodiesel that is B-11 or higher.
- The Bill is effective on July 1, 2020.

Background

Revenue collected through the motor fuel excise tax is deposited in the Road Use Tax Fund (RUTF). The RUTF allocates funding for road construction to primary roads (under the Department of Transportation (DOT)), secondary and farm-to-market roads (counties), and city streets. Current law allocates 47.5% to the DOT, 32.5% to counties, and 20.0% to cities.

For FY 2020, the motor fuel excise tax is 29.0 cents per gallon for ethanol and 30.5 cents for unblended gasoline. The current motor fuel tax schedule, which expires on June 30, 2020, is as follows:

Table 2 — Current Motor Fuel Excise Tax Schedule

Ethanol (E-10) Market Share	E-10 (or higher) per gallon	Gasoline per gallon
0.0% – 50.0%	29.0¢	30.0¢
50.1% – 55.0%	29.0	30.1
55.1% – 60.0%	29.0	30.3
60.1% – 65.0%	29.0	30.5
65.1% – 70.0%	29.0	30.7
70.1% – 75.0%	29.0	31.0
75.1% – 80.0%	29.3	30.8
80.1% – 85.0%	29.5	30.7
85.1% – 90.0%	29.7	30.4
90.1% – 95.0%	29.9	30.1
95.1% – 100.0%	30.0	30.0

For FY 2020, the per-gallon excise tax on special fuel is 29.5 cents for biodiesel (B-11) and 32.5 cents for diesel. The current tax schedule for diesel and biodiesel, which expires on June 30, 2020, is as follows:

Table 3 — Current Special Fuel (Diesel) Excise Tax Schedule

Biodiesel (B-11) Market Share	B-11 (or higher) per gallon	Diesel per gallon
0.0% – 50.0%	29.5¢	32.5¢
50.1% – 55.0%	29.8	32.5
55.1% – 60.0%	30.1	32.5
60.1% – 65.0%	30.4	32.5
65.1% – 70.0%	30.7	32.5
70.1% – 75.0%	31.0	32.5
75.1% – 80.0%	31.3	32.5
80.1% – 85.0%	31.6	32.5
85.1% – 90.0%	31.9	32.5
90.1% – 95.0%	32.2	32.5
95.1% – 100.0%	32.5	32.5

The IDR calculates the market share of blended fuel based upon monthly fuel tax reports. These reports include data on the gross gallons of fuels delivered by Iowa licensed suppliers, blenders, importers, restrictive suppliers, and liquefied petroleum gas/compressed natural gas dealers and users. The report does not count gallons of ethanol and biodiesel that are blended

after this data is collected. As a result, these reports underrepresent the total gallons of ethanol and biodiesel consumed in Iowa.

The [Retailers Motor Fuel Gallons Annual Report](#) also includes data regarding fuel types consumed and shows higher consumption of ethanol and biodiesel. In calendar year 2018, the market share of ethanol was 65.4% on monthly reports and 87.0% on the retailers report. The market share for biodiesel (B-11+) was 10.0% on monthly reports and 47.4% on the retailers report. Tax rates for motor fuel excise tax and special fuel excise tax are determined based on the market share of the calendar year that ended six months prior to the new fiscal year.

Under current law, after an increase to the motor fuel excise tax rate due to changes in the market share or legislative changes, an inventory tax is imposed on businesses that hold title to stored fuels that are for sale (Iowa Code section [452A.85](#)). The increase must be at least one-half cent per gallon. The tax applies to motor fuel, special fuel, and other fuels that are for sale. The inventory tax is equal to the difference between the increased tax and the previous tax rate.

Assumptions

Fuel Consumption

- Motor fuel (gasoline and ethanol) consumption in Iowa will total 1,750.0 million gallons annually for FY 2021 through FY 2024, similar to the average over the last three years.
- Special fuel consumption in Iowa will total 720.0 million gallons in FY 2021, and is assumed to increase by 0.7% in FY 2022 and 2.1% in FY 2023 and to decline by 0.5% in FY 2024. For the last three years, special fuel consumption has averaged 713.1 million gallons.

Refunds

- Refunds issued against motor fuel excise taxes will be 7.0% of gross receipts.
- Refunds issued against special fuel excise taxes will be 3.3% of gross receipts.

Estimated Market Share and Tax Rates of E-10 and E-15

- The market share for motor fuel classified at E-15 or higher is estimated to be 5.0% in FY 2021, 6.0% in FY 2022, 7.0% in FY 2023, and 8.0% in FY 2024.
- Based on the projected market share, the tax rate for ethanol-blended fuel will be 24.0 cents per gallon, and the tax rate for gasoline will be 30.0 cents per gallon. Compared to the tax schedules expiring June 30, 2020, this is a tax rate reduction of 5.0 cents per gallon for E-15+ and 0.5 cents for gasoline and E-10 or lower.

Estimated Market Share and Tax Rates for Biodiesel

- The market share for biodiesel is estimated above 50.0% in FY 2021, 51.0% in FY 2022, 53.0% in FY 2023, and 55.0% in FY 2024.
- Based on the projected market share, the tax rate for biodiesel will be 29.8 cents from FY 2021 to FY 2023 and 30.1 cents in FY 2024. The tax rate for diesel will be 32.5 cents per gallon for each of the projected fiscal years. Compared to the tax schedule expiring July 1, 2020, the estimated tax on biodiesel will increase by 0.3 cents per gallon from FY 2021 to FY 2023 and by 0.6 cents per gallon in FY 2024. The estimated tax on diesel will remain unchanged at 32.5 cents per gallon.

Fiscal Impact

Changes to revenues deposited in the RUTF are displayed below. **Table 4** reflects current law, which includes the expiration of the existing tax schedules on June 30, 2020, for ethanol and biodiesel, compared to the Bill. The impact of the inventory tax on businesses that hold title to stored fuels that are for sale is unknown.

Table 4

Revenue Changes to the Road Use Tax Fund (in millions)

HF 2279 vs. Current Law (Tax Schedules Repealed After FY 2020)

	FY 2021	FY 2022	FY 2023	FY 2024
Motor Fuel				
HF 2279	\$ 483.4	\$ 482.4	\$ 481.4	\$ 480.4
Current Law	488.3	488.3	488.3	488.3
Difference	-4.9	-5.9	-6.8	-7.8
Diesel				
HF 2279	214.9	216.2	221.5	221.1
Current Law	225.3	226.9	231.7	230.5
Difference	-10.4	-10.7	-10.2	-9.4
Total	<u>\$ -15.3</u>	<u>\$ -16.5</u>	<u>\$ -17.0</u>	<u>\$ -17.2</u>

Note: Numbers may not add due to rounding.

Sources

LSA calculations
Department of Transportation
Iowa Department of Revenue
IDR Monthly Fuel Reports
IDR Retailers Motor Fuel Gallons Annual Reports

/s/ Holly M. Lyons

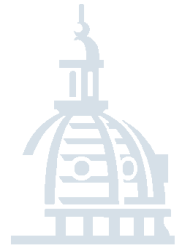
February 10, 2020

Doc ID 1129488

The fiscal note for this Bill was prepared pursuant to [Joint Rule 17](#) and the Iowa Code. Data used in developing this fiscal note is available from the Fiscal Services Division of the Legislative Services Agency upon request.

Fiscal Note

Fiscal Services Division



[HF 2280](#) – Fire, EMS, Reserve Officer Tax Credit Increase (LSB5050HV)
Staff Contact: Jeff Robinson (515.281.4614) jeff.robinson@legis.iowa.gov
Fiscal Note Version – New

Description

[House File 2280](#) increases the Volunteer Fire Fighter and Volunteer Emergency Medical Services Personnel Member Credit and the Reserve Peace Officer Credit from \$100 to \$200. The change is effective beginning tax year 2020.

Background

The Volunteer Fire Fighter and Volunteer Emergency Medical Services Personnel Member Credit and the Reserve Peace Officer Credit are both part of Iowa Code section [422.12](#). Each credit has a maximum of \$100 per taxpayer per year. If a taxpayer is a qualified volunteer for more than one position, the tax credit may only be earned for one position. If the taxpayer is not a qualified volunteer for the full tax year, the \$100 credit is prorated. The credit is not refundable or transferable, and unused credits may not be carried forward to a future tax year.

The Iowa Department of Revenue [Tax Credits Contingent Liabilities Report](#) lists the total tax credit redemptions under the two tax credits as \$1.3 million per year. This equates to 13,000 to 14,000 taxpayers claiming the credits per year.

Assumptions

Since the \$100 income tax credit is not refundable, a small percentage of the claimants are not able to benefit from the full \$100 annual tax credit as they do not have \$100 in Iowa income tax liability for that tax year. Raising the annual tax credit to \$200 will increase the percentage of claimants who cannot fully benefit. Therefore, doubling the maximum credit will not result in a doubling of the \$1.3 million current annual tax reduction associated with the two tax credits.

As a nonrefundable tax credit, the State income tax reduction will also reduce the statewide amount of revenue raised through any local option income [surtax](#) equal to approximately 3.0% of the State income tax revenue reduction.

Fiscal Impact

Increasing the Volunteer Fire Fighter and Volunteer Emergency Medical Services Personnel Member Credit and the Reserve Peace Officer Credit from \$100 to \$200 is projected to reduce net General Fund revenue by \$1.2 million per fiscal year, beginning with FY 2021.

The tax credit increase will also reduce annual revenue raised by local option income surtaxes by approximately \$35,000 annually.

Source

Iowa Department of Revenue

/s/ Holly M. Lyons

February 11, 2020

Doc ID 1129751

The fiscal note for this Bill was prepared pursuant to [Joint Rule 17](#) and the Iowa Code. Data used in developing this fiscal note is available from the Fiscal Services Division of the Legislative Services Agency upon request.

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